

What happens when bids exceed estimates?

"Our estimates used to be great ... even higher than the bids ... until about a year ago. Then everything went haywire"

—Spokesman for County Board of Road Comm'rs.

"Every Cost estimate nowadays is unrealistic..."

—Ohio Contractor

"It was a real surprise when the lowest bid exceeded our estimate by 50%"

—Southern Minister Trying to Build new Church

"There is general reluctance among architects to realize the fast rate of contractors' cost rises"

—Iowa Contractor

"A nine-month interval between design and bidding jumped our costs between 9 and 10% in the cost of the job"

—Hospital Planning Director

Bid rejections: ENR looks for causes and effects

A sharp, double-edged sword with inflation on one edge and miscalculated cost estimation on the other was the prime cause of contract bid rejections, an ENR survey disclosed.

ENR's survey covered bid rejection on jobs of all types valued at \$500,000 or more in the mainland U.S. The time period covered extended from the last half of 1969 through the first two months of 1970.

Projects selected at random for the survey included privately-owned (43%) and public jobs (57%). A general breakdown of procedure following bid rejection showed:

- Abeyance or abandonment was the procedure in 14% of the private and 9% of the public jobs.
- * Redesigned for lower cost specifications (and quality) was the case in 26% of both the private and public jobs.
- Restudy and evaluation with an eye to meeting high bid costs occurred in 3% of the privately-owned and 20% of the public jobs.
- Jobs completed by owners' own forces were the case in none of the private and 2% of the public projects.

There were jobs included in the third group in the public 20% that owners' spokesmen freely admit will be funded by lifting dollars from other budget allocations, although they were ostensibly undergoing redesign for economy.

The survey indicated that the only projects that will fulfill their original need are those few being done by the owners' own forces and the projects for which additional funds will be raised to meet unexpected costs. The rest are either being redesigned or reduced in scope to meet available funds or are being dropped.

The only area where original needs will presumably be met without accession to inflationary costs is in the 2% of jobs to be completed by the owners themselves.

The other edge of the blade cutting between bids and contracts is error in cost estimation.

Contractors contend that an overlooked cause of out-of-line estimates and under budgeting is failure of architects to recognize inflation or, recognizing it, underrating its size and rate of growth.

Independent cost estimators back up this idea and point to the fact that although their primary function is to assist owners and architects in the conceptual stages of their projects, they are being called upon more and more frequently to act as troubleshooters when budgets and bids don't meet.

Predictably, private jobs suffered the highest mortality rate in abandonment or going into abeyance. They also had the least tendency to meet high bid costs.

Notable was the equal proportion of private and public jobs set for redesign to less than originally desired specifications. It was expected that fewer public jobs would be in this category and show up where they already showed a heavy trend: that of meeting the high bid costs. A balanced public budget is desirable but if unexpected dollars are spent, a public voting constituency is more easily influenced than a private stockholder's meeting.

Users or would-be users of finished projects are the ones who suffer when bid rejects snag the works. It is their need which initially supplied the impetus for the projects in the first place.

The property owner who thinks he's already being taxed to the hilt isn't going to take kindly to news that repairs to the pot-holed road he travels daily are going to cost him just a little bit more than planned. And his peace is further disturbed when he learns that

his 12-year-old is going to have to be driven or take a bus to an already overcrowded high school because money for a new one couldn't be allocated.

A manufacturer who wants to add a wing to his plant hates to find, after his plans are done and bids are in, that he's either going to have to hold off on expansion or do some fast explaining about out-of-budget spending.

The list is long and the circumstances similar but three of the survey cases bear closer scrutiny because of their classic details.

High cost of learning. The county school board in a heavily-populated area of the Midwest drew up plans, established specs and sought bids for a new high school. The lowest bid came in 15% over the estimate and, by law, had to be rejected. A referendum asking for the allocation of funds to cover the higher cost was defeated. Redesign to new specs (reduced in scope from the original) brought bids 1% above estimates. Again, a referendum stalled proceedings.

The school is indefinitely in abeyance while a committee studies the requirements of the entire school system.

It could be raw waste. An East Coast community planned an addition to a sewage treatment plant. Bids exceeded estimate by 38% and were rejected. The job is being re-evaluated (the estimate is being upped by 25%) and user fees will be increased to meet the cost differential when the project goes out for a second round of bidding.

Inflation no respecter of health. The plant development staff of a private hospital in the South was soundly jolted when an estimated \$4-million renovation program turned out a low contract bid of \$6 million. The work must be done now and drastic cutbacks from original plans must be made to stay within available fund range. Work of less desirable scope and quality had to be accepted because of the higher costs.

From survey answers it appears that if a job is to be put out for bids with any hope of having them in line with estimate, complete and detailed planning must come first.

Everything from cement to ceiling tile needs looking into to get the best dollar's worth in the construction market, especially the current one where the cost direction is invariably up.

Slipshod planning for the sake of expediency is no substitute for carefully researched preparations, according to all sources contacted.

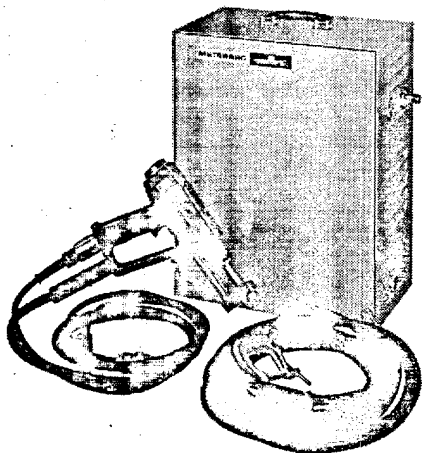
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